

OLYMPIA, WASHINGTON

February 3, 2004

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
Gary Locke, Governor

Also Present: Allan J. Martin, Office of the State Treasurer
Tom Morrill, Office of the Attorney General
Jim Bemis, Montague DeRose & Associates
Rob Shelley, Seattle-Northwest Securities, Inc.
Dean Torkelson, Seattle-Northwest Securities, Inc.
Svein Braseth, Office of the State Treasurer
Bill Tonkin, Foster Pepper & Shefelman LLP
Vicki Cox, Office of the State Treasurer
Chia Yang, Montague DeRose & Associates
Sue Melvin, Office of the State Treasurer
Bill Starkey, Seattle-Northwest Securities, Inc.
Amy Arnis, Department of Transportation
Jeff Caldwell, Department of Transportation
Mike Roberts, Office of Financial Management
Nancy Notter, Office of the State Treasurer
Kristi Wolgamot, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Suzanne Coit, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Chairman Murphy asked if the minutes for the October 7, 2003 10:00 a.m., October 7, 2003 10:30 a.m., October 8, 2003 and December 2, 2003 meetings could be considered as one item. Governor Locke said he had two corrections on the October 7, 2003 10:30 a.m. minutes and would prefer to discuss the October 7, 2003 10:00 a.m. minutes at the end of the meeting. Chairman Murphy said these minutes were needed for transcripts for the closing of the Tumwater Office Building deal and would hold up that process if they weren't passed. Governor Locke said on page 21, sixth paragraph down of the October 7, 2003 10:30 a.m. minutes, the "aught" should be changed to "ought" and at the bottom of that same page, "that" should be deleted in his dialogue. Mr. Martin marked those changes on the minutes. Governor Locke moved the minutes from the October 7, 2003 10:30 a.m., October 8, 2003 and December 2, 2003 meetings be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution 991 accepts a bid for the purchase of State of Washington Various Purpose General Obligation Bonds, Series 2004D in the aggregate principal amount of \$417,425,000; fixing the interest rates; in accordance with Resolution No. 989. Four electronic bids were received at 7:30 a.m. Pacific Time. Merrill Lynch & Co. submitted a true interest cost (TIC) of 4.4431298%; J.P. Morgan Securities, Inc. submitted a TIC of 4.4437894%; Citigroup Global Markets Inc. submitted a TIC of 4.4494804%; and Goldman, Sachs & Co. submitted a TIC of 4.4580276%, with the apparent low bidder being Merrill Lynch & Co.

Mr. Torkelson said these were all extremely competitive bids. He said it was the lowest interest rates he has seen in the last 20 years, possibly 30 years. Chairman Murphy asked if he felt the downgrade from Standard & Poors had any effect on the bids. Mr. Torkelson said in his view, there was no negative effect on the sale of these bonds. Chairman Murphy commented on how very tight the differences were between the bids.

Mr. Martin presented proposed Resolution 991 to the committee.

Resolution No. 991 awards the sale of \$417,425,000 State of Washington Various Purpose General Obligation Bonds, Series 2004D, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess; Chapter 15, Laws of 1990, 1st Ex. Sess.; Chapter 9, Laws of 2001, 2nd Sp. Sess.; Chapter 240, Laws of 2002; Chapter 147, Laws of 2003; Chapter 3, Laws of 2003, 1st Sp. Sess.; Chapter 18, Laws of 2003, 1st Sp. Sess., and Chapter 39.42 RCW.

Governor Locke moved to adopt Resolution 991. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution 992 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004E in the aggregate principal amount of \$58,850,000; fixing the interest rates; in accordance with Resolution No. 990. Four electronic bids were received at 7:30 a.m. Pacific Time. Merrill Lynch & Co. submitted a TIC of 4.4089116%; Citigroup Global Markets, Inc. submitted a TIC of 4.4556693%; J.P. Morgan Securities, Inc. submitted a TIC of 4.4708729%; and Goldman, Sachs & Co. submitted a TIC of 4.4727819%, with the apparent low bidder being Merrill Lynch & Co.

Mr. Torkelson said the bonds appealed to a different investor market than the previous bonds. He said the coupon structure of the bids was noteworthy in their differences. Mr. Torkelson said, again, the interest rates were the lowest he's seen in 30 years. Chairman Murphy acknowledged Ms. Arnis who attended the bond sale with her daughter, Grace.

Mr. Martin presented proposed Resolution 992 to the committee.

Resolution No. 992 awards the sale of \$58,850,000 of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004E, authorized by Chapter 7, Laws of 1967, Ex. Sess., as amended (RCW 47.10.762); Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), Chapter 147, Laws of 2003 (RCW 47.10.861); and Chapter 39.42 RCW.

Governor Locke moved to adopt Resolution 992. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution 993 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004F in the aggregate principal amount of \$90,000,000 more or less; fixing the interest rates; in accordance with Resolution No. 990. He said these bonds were for the construction of the Tacoma Narrows Bridge under the authorization of Referendum 49. Three electronic bids were received at 8:30 a.m. Pacific Time. Goldman, Sachs & Co. submitted a TIC of 4.889490%; Merrill Lynch & Co. submitted a TIC of 4.890938%; and J.P. Morgan Securities, Inc. submitted a TIC of 4.893048%, with the apparent low bidder being Goldman, Sachs & Co.

Mr. Torkelson said these were extremely competitive bids. He said it was the fourth tranche of the Tacoma Narrows Bridge and these interest rates were much better than expected. Chairman Murphy said last summer we issued bonds for the Tacoma Narrows Bridge. He said it was more expensive to sell zero coupon bonds than our regular bonds and that now there are 44 basis points between the two. He commented that the state could save \$300 to \$400 million if the state were to issue serial bonds. Chairman Murphy said he has discussed it with members of the Legislature, but so far they have not acted upon his recommendation.

Mr. Martin presented proposed Resolution 993 to the committee.

Resolution No. 993 awards the sale of \$90,000,000, more or less, of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004F, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), and Chapter 39.42 RCW.

Governor Locke moved to adopt Resolution 993. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 994 amends Resolution 704 to require transfer of funds on or before payment date. Resolution No. 704, adopted on August 4, 1988, authorized the issuance and provided for the public sale by the State of Washington of its General Obligation College Savings Bonds, Series 1988 (the "Bonds"), in the aggregate accreted value at maturity of \$50,000,000. In the past it had been the practice of the Legislature and the State Finance Committee to direct the State Treasurer to transfer funds into the Bond Fund up to 30 days prior to a principal or interest payment date. However, the current state of technology and the instantaneous availability of funds transferred by electronic wire transfer make it unnecessary to transfer funds so far in advance of a payment date. The current practice of the Legislature and the State Finance Committee governing the vast majority of the State's outstanding general obligation bonds is to eliminate the requirement for advance transfers and instead to require the transfers to occur on or before the payment date. The elimination of the requirement to transfer funds 30 days in advance of a payment date for the Bonds will not impair its obligations to Bond holders because it does not alter the financial framework of the Bonds, nor does it substantially

impair any right of the Bond holders to receive payment on each due date. Mr. Martin said the resolution was essentially a house cleaning item.

Mr. Martin presented proposed Resolution 994 to the committee.

Resolution No. 994 amends Resolution No. 704 to require transfer of funds on or before each payment date instead of “not less than 30 days prior” to each payment date with respect to outstanding State of Washington General Obligation College Savings Bonds, Series 1988.

Governor Locke moved to adopt Resolution 994. Treasurer Murphy seconded the motion and the resolution was adopted. Mr. Martin thanked the committee on behalf of the accountants.

Chairman Murphy asked Governor Locke what corrections he wanted to make to the October 7, 2003 10:00 a.m. minutes. Governor Locke said on the last page, at the top, change “adjourned” to “concluded”. Mr. Martin made the correction on the minutes. Governor Locke moved the minutes from the October 7, 2003 10:00 a.m. meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Chairman Murphy said there was no Public Deposit Protection Commission business, thus there being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:28 a.m.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Gary Locke, Governor & Member

Brad Owen, Lieutenant Governor & Member

Allan J. Martin
Deputy State Treasurer & Secretary